

2006 ANNUAL REPORT

Office of the State Treasurer and Receiver General

Timothy P. Cahill



COLLABORATION
INNOVATION
communication
EDUCATION

Beyond the Bottom Line

HOW SMART FISCAL PRACTICES AT THE TREASURY BENEFIT YOU

PRIM BOARD

- Achieved the highest total in the history of the PRIT Fund at \$46.7 billion in assets—up \$6.5 billion since the end of 2005.
- By the end of 2006, a record 73 of the state's 106 municipal retirement systems had invested all or a portion of their assets with PRIM.

SCHOOL BUILDING AUTHORITY

- Over 350 projects have received a payment from the state, with 225 waiting list projects completely paid off.
- The MSBA board has also approved 369 audits, which has saved \$1.7 billion in avoided interest costs.

JOB GROWTH INITIATIVE

- \$225 million in community and economic development investments have been made to promote real estate development and home ownership in the Commonwealth, particularly in distressed areas.
- In addition to securing a \$600 million commitment for the Job Growth Initiative, Treasurer Cahill successfully lobbied Bank of America to launch their America—Block by Block® revitalization program here in Massachusetts.

LOTTERY

- \$951 million returned to the Commonwealth—the largest amount in Lottery history.
- In May 2006, Treasurer Cahill pledged \$1 million from the Lottery's \$10 million advertising budget toward an ad campaign aimed at building awareness around problem gambling in the Commonwealth.

ALCOHOL BEVERAGES CONTROL COMMISSION

- \$3.6 million was generated from license fees and fines for the Commonwealth's General Fund.
- In 2006, revenue collected for DOR totaled \$3.1 million—up 9 percent from 2005—while revenue collected for DUA totaled \$100,000.

ABANDONED PROPERTY

- Collected over \$200 million in unclaimed property for the fourth consecutive year.
- The Abandoned Property Outreach Program continued traveling to fairs, assisted living facilities, malls and city and town halls.

CASH MANAGEMENT

- Deposited \$196.4 million in community banks throughout Massachusetts through online BidMass auctions.
- The MMDT Short-Term Bond Fund (STBF) was launched in April 2006 and currently has assets in excess of \$368 million.

DEBT MANAGEMENT

- Issued over \$2.3 billion in long term debt and re-funded over \$900 billion in bonds, generating \$68.6 million in cash flow debt service savings.

WATER POLLUTION ABATEMENT TRUST

- In 2006, the Trust funded 100 loans to governmental and local entities through \$431.1 million in bonds.
- The MWPAT was ranked in the top five nationally for its performance in its five major state programs by the Environmental Protection Agency.

RETIREMENT BOARD

- The State Employees' Retirement System has a funded ratio of 85.1 percent on January 1, 2007—up from 81.5 percent in January 2006.
- In the fall of 2006, the Board kicked off the SMART Retirement & Beyond seminar series. The Board collaborated with the Commonwealth's Deferred Compensation Plan provider—ING-SMART Plan—and the Treasury's Financial Education Division to present these evening pre-retirement planning seminars.

FINANCIAL EDUCATION

- In September of 2006, Treasurer Cahill held the largest money conference to date with over 1200 women and men in attendance.
- The Financial Education Division was recognized by the National Association of State Treasurers and the Bond Market Foundation for excellence in promoting financial education and the organization of Money Conferences.

OFFICE OF THE STATE TREASURER AND RECEIVER GENERAL
TIMOTHY P. CAHILL

It is my pleasure to present the 2006 Annual Report for the Office of the State Treasurer and Receiver General.

It was a year of significant accomplishments at the Treasury. Throughout the year, my staff and I continued our efforts to collaborate with local banks to create jobs, provide financial education to our citizens, implement sound investment strategies through the PRIT Fund and return a record amount of Lottery Local Aid to cities and towns. I look forward to continuing our partnerships with members of the government, business, educational and non-profit communities to produce innovative and lasting solutions to the financial issues facing Massachusetts.



As State Treasurer, I take great pride in my administration's effort to strengthen our municipalities and enhance the lives of our citizens. I look forward to continuing to serve the Commonwealth during the next four years. Best wishes to you and all citizens of Massachusetts.

Sincerely,

A handwritten signature in black ink, reading "T. P. Cahill".

Timothy P. Cahill was first elected as Massachusetts State Treasurer and Receiver General in 2002 and was reelected to a second four-year term in 2006.

Prior to his first election victory, Treasurer Cahill served as the Norfolk County Treasurer from 1997 to 2002. He also served as a Quincy City Councilor from 1987 until 2003.

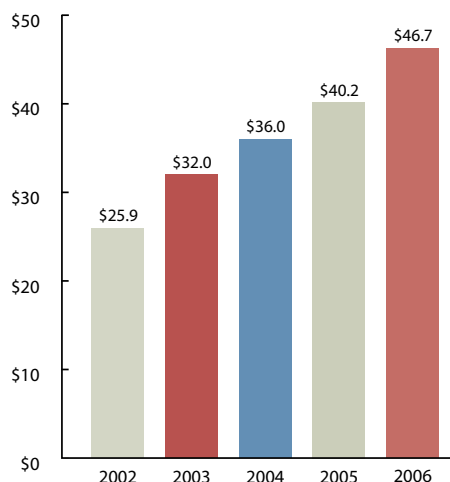
An alumnus of Boston University, Treasurer Cahill received his Bachelors degree in Political Science in 1981. Prior to his career in public service, Treasurer Cahill was a successful small business owner and the author of a book about local businessmen.

A resident of Quincy, Treasurer Cahill and his wife, Tina, have four daughters: Makena, Nicole, Devin, and Kendra.

PRIM BOARD

The Pension Reserves Investment Management Board is charged with oversight of the Pension Reserves Investment Trust Fund. The Board manages the assets of Massachusetts state employees and retirees, and is mandated to provide a return above the legislative benchmark of 8.5 percent. The PRIM Board's staff holds the responsibility of ensuring strong returns for the Commonwealth's current and future retirees—an obligation that will allow thousands of residents to enjoy a productive and successful retirement.

TOTAL PRIT FUND ASSETS (in billions of dollars)



Michael Travaglini, Esq.
Executive Director, Pension Reserves
Investment Management Board

PERFORMANCE

- The PRIT Fund enjoyed another record year, reaching an all-time high of \$46.7 billion in assets—up \$6.5 billion since the end of 2005.
- This new asset level represents a gain of 16.74 percent in 2006 and an increase of 77 percent since Treasurer Cahill took office in 2003.
- The Fund's 2006 performance places PRIM in the top 5 percent of similar funds nationwide. In addition, PRIM was ranked in the top 2 percent of similar funds in the nation over three and five year periods as of December 31, 2006.

ASSET ALLOCATION

- The PRIT Fund continued its diversification by funding the new “Portable Alpha” portfolio under the domestic equity asset class. Portable Alpha is intended to give the Fund a stable S&P 500 return plus an additional return of between 2 and 4 percent through the prudent use of conservative hedge fund of funds managers.
- In 2006, diversification was key to the success of the Fund with strong performance from Private Equity (up 28.16 percent), Emerging Markets Equity (up 28.13 percent), International Equity (up 26.55 percent) and Real Estate (up 24.75 percent) asset classes.

ECONOMICALLY TARGETED INVESTMENTS

- The Board continues to support Massachusetts-based investments in fixed income, real estate and private equity. PRIM has increased its commitment to this local initiative to \$160 million, of which \$124 million has been reinvested in the community. The program includes seven managers that have created approximately 1200 mortgages and 1000 jobs in Massachusetts.

WIDESPREAD INVOLVEMENT IN THE PRIT FUND

- By the end of 2006, a record 73 of the state's 106 municipal retirement systems had invested all or a portion of their assets with PRIM. Over the course of the last four years, municipal assets invested with the PRIT Fund have grown from \$700 million to over \$3 billion, a jump of 329 percent during Treasurer Cahill's tenure.

PRIM BOARD TRUSTEES

Timothy P. Cahill
Chair, Ex Officio Member

Alexander E. Aikens, III
Appointee of the State Treasurer

C. LaRoy Brantley
Appointee of the Governor

Robert Brousseau
*Elected Representative, State Teachers
Retirement System*

Paul Cesan
Appointee of the Governor

Peter Schwarzenbach
*Designee of the Governor, Ex Officio
Member*

Theresa McGoldrick, Esq.
State Board of Retirement Member

George F. McSherry
Teachers' Retirement Board Member

Ralph White
*Elected Representative, State Employees'
Retirement System*

LOTTERY INTRODUCES FIRST MLB INSTANT TICKET

- On April 11, 2006 the Lottery unveiled the Red Sox Instant Ticket—the nation’s first instant ticket to feature a Major League Baseball team logo.
- The \$5 ticket features more than \$150 million in cash prizes and a second chance drawing that will offer one top prize of lifetime Red Sox season tickets.
- With sales of over \$73.6 million in the final three months of FY06, the Red Sox Instant Ticket helped propel the Lottery to its third-consecutive record breaking year.

LOTTERY AND BOSTON CELTICS HONOR ‘HEROES’ FOR EXTRAORDINARY DEEDS

- On June 26th, the Lottery and the Boston Celtics honored their 2005-06 Heroes Among Us recipients at a State House ceremony, recognizing extraordinary deeds that ranged from saving lives to bettering the lives of the less fortunate.

SALES

- Instant ticket sales accounted for \$3.12 billion—or 69 percent—of overall revenues and helped maintain the Lottery’s standing as a nationwide leader in instant ticket sales.
- Mega Millions—the Lottery’s sole multi-state game—had four jackpots over the \$250 million mark in FY06. This excitement helped propel sales from \$97 million in FY05 to \$134.7 million in FY06.
- Keno benefited greatly from the addition of “Keno Bonus,” which boosted the game’s already strong sales to \$775.2 million in FY06—a 4.5 percent increase over the previous year.
- In its first full fiscal year, CASH WinFall registered \$47 million in sales in FY06.
- The Numbers Game turned in sales of \$342.5 million, while Mass Cash and Megabucks posted sales of \$42.6 million and \$42.1 million, respectively.

LOTTERY COMMITS \$1 MILLION TO INCREASE PROBLEM GAMBLING AWARENESS

- In May 2006, Treasurer Cahill pledged \$1 million from the Lottery’s \$10 million advertising budget toward building awareness around problem gambling in the Commonwealth.
- This commitment allowed the Massachusetts Council on Compulsive Gambling to launch a new public service campaign designed to raise awareness of problem gambling and promote the availability of resources for treatment.
- One of the television ads—titled “Lose”—was named “Best Public Service Announcement” by the National Council on Problem Gambling.
- The MCCG reported that calls to its hotline increased by more than 40 percent following the release of the campaign in May 2006.

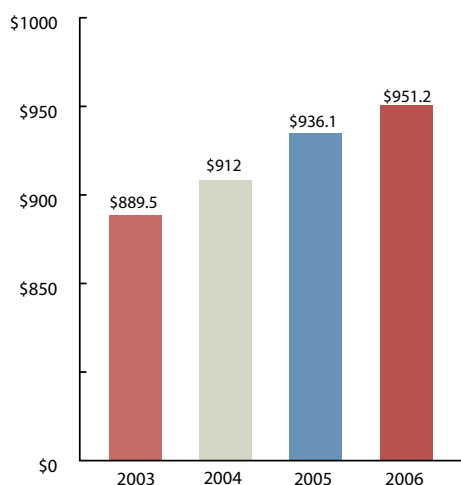
MASSACHUSETTS STATE LOTTERY COMMISSION

The Massachusetts State Lottery was created in 1971 in response to the need to generate revenue for Massachusetts. Since 2003, the Lottery has returned over \$3.7 billion to the Commonwealth.

LOTTERY AID

- Sales for FY06 climbed to a record \$4.52 billion, an increase of more than \$41.2 million over FY05 revenues.

TOTAL LOTTERY AID (in millions of dollars)



LOTTERY COMMISSION MEMBERS

Timothy P. Cahill
Chair, Ex Officio Member

Martin J. Benison
Comptroller

Edward Flynn
Secretary of Public Safety

Janice Saragoni
Appointee of the Governor

Beth Lindstrom
Appointee of the Governor



Mark J. Cavanagh
*Executive Director,
Massachusetts State Lottery Commission*

MASSACHUSETTS SCHOOL BUILDING AUTHORITY

The Massachusetts School Building Authority ("MSBA") was created in mid-2004 through a collaborative process between Treasurer Cahill's office and the Legislature. The MSBA is an independent public authority charged with administering a financially sustainable school building grant program. By helping to facilitate the building and renovation of schools in Massachusetts, the MSBA has made significant contributions to improving the quality of education for thousands of students throughout the Commonwealth.



Whitman Middle School, Whitman-Hanson Regional School District

MSBA BOARD MEMBERS

Timothy P. Cahill
*Chairperson, Treasurer
and Receiver General*

Jeff Wulfson
*Designee of the Department of
Education*

Robert Costrell
*Designee of the Secretary of
Administration and Finance*

Richard Bertman
Founding Principal, CBT Architects

Terry Kwan
*Former teacher and Brookline School
Committee member*

Mary Grassa O'Neill
*Director, The Principals' Center at the
Harvard Graduate School of Education*

Lisa Turnbaugh
*Program Management Leader,
Bank of America*

Katherine P. Craven
*Executive Director, Massachusetts
School Building Authority*



PROGRAM EFFICIENCY

- To date, \$4.3 billion has been reimbursed to municipalities for school construction projects - money for which communities would have waited more than a decade under the former program.
- Over 350 projects have received a payment from the state, with 225 waiting list projects completely paid off.
- \$3.3 billion in accelerated payments have been made to 335 wait list projects.
- \$985 million has been distributed for 728 schools on the prior grant list.
- The MSBA board has also approved 369 audits, which has saved \$1.7 billion in avoided interest costs.

NEW REGULATIONS

- In September of 2006, the Authority approved its final regulations for school construction projects. These regulations, which will take effect in July of 2007, ensure that the Commonwealth's investment in local school construction is equitably distributed across all municipalities.
- These regulations establish a framework for project approval. The program will be a collaborative process during which the MSBA and local communities will collaborate to confirm deficiencies identified by the community and then develop a solution that makes educational and financial sense.

MORATORIUM LIFTED ON NEW PROJECTS

- The Authority announced it would lift the moratorium on accepting new school construction projects in July of 2007. The MSBA Board will fund grants for projects through a competitive process based upon eight statutory funding criteria. These criteria establish a potential project's priority and need.
- Beginning in FY08, the MSBA will authorize up to \$500 million in grants in the first year alone, with 4.5 percent annual growth for school construction projects.
- This will create a five-year capital plan of \$2.7 billion, making it the largest state funded capital grant program.

PROGRESS PAYMENTS

- Implemented a "pay as you go" Progress Payment System that helps municipal cash flows with the benefit of MSBA money during project construction. Municipalities no longer have to front the state's share of a project or wait indefinitely for state payment, reducing the local debt that municipalities carry.

FINANCIAL STATUS

- As of January 1, 2007, the market value of the State Employees Retirement System's assets invested in the PRIT Fund amounted to more than \$18.4 billion, up from \$16.6 billion a year ago.
- The System has a funded ratio of 85.1 percent—up from 81.5 percent in January 2006. The funded ratio represents the actuarial value of plan assets divided by the actuarial accrued liability.
- In 2006 the Board issued benefit payments and annuity payments to retirees and survivors totaling more than \$1.1 billion.
- Retirement counselors and staff carried out more than 90 group presentations and seminars across the state during 2006. In addition, more than 2,200 individual counseling sessions were conducted in the Board's Boston and Springfield offices.

SMART RETIREMENT SEMINAR SERIES

- In the fall of 2006, the Board kicked off the SMART Retirement & Beyond seminar series. The Board collaborated with the Commonwealth's Deferred Compensation Plan provider—ING-SMART Plan—and the Treasury's Financial Education Division to present these evening pre-retirement planning seminars. The goal of these events is to educate members on the retirement process so that they can make informed decisions.

SPRINGFIELD REGIONAL OFFICE

- In July of 2006, the State Retirement Board and Treasurer Cahill announced the opening of the Board's Springfield Regional Office. It is the Board's first permanent regional office in its 96-year history. The regional office provides convenient and accessible services to help state employees and retirees throughout western Massachusetts plan for retirement.

RETIREMENT BOARD MEMBERS

Timothy P. Cahill
Chairman

Ralph White
Elected Member

Theresa McGoldrick, Esq.
Elected Member

Peter Koutoujian, Sr.
Appointed Member

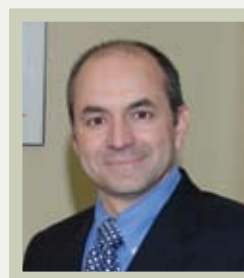
Chris Condon
Chosen Member

STATE BOARD OF RETIREMENT

The State Board of Retirement is presently responsible to almost 85,000 active members, more than 51,000 retirees or beneficiaries and another 47,000 members who have funds on account with the system. The Board's primary mission is maintaining the successful administration of pension and related benefits to its active and retired members—a mission that assists almost every state employee in one form or another. From properly enrolling members, to ensuring correct contributions are received, to processing retirement applications, the Board interacts with all members of the retirement system.

BOARD OPERATIONS

Statistics:	2005	2006
New Retirees Processed (as of 12/31):	1,717	1,849
Service Purchases ("Buy Backs") Processed:	10,108	4,701
Refunds/Rollovers Processed:	5,375	5,486



Nicola Favorito, Esq.
*Deputy Treasurer and
Executive Director, Massachusetts
State Board of Retirement*

DEBT MANAGEMENT

The Debt Management Department is responsible for structuring, issuing and paying most short-term and long-term debt issued by the Commonwealth. The issuance of long-term debt, or bonds, is necessary to generate monies to fund the state's capital spending program, which totals about \$1.3 billion annually. The Department also issues short-term debt to support the state's operating budget and cash flow requirements.



Patrick Landers
*Assistant Treasurer,
Debt Management*

ACCOMPLISHMENTS

- In 2006, the Department issued \$2.3 billion in long-term debt, of which approximately \$1.4 billion represented funding for capital projects.
- Over \$900 million in bonds were refunded, generating \$68.6 million in cash flow debt service savings – the equivalent of \$37.3 million on a present value basis.
- The Department terminated a \$180 million interest rate swap, receiving a \$2.3 million unwind payment. By simultaneously issuing lower cost bonds, this transaction produced \$13.5 million of gross savings, or \$8.3 million on a present value basis.
- The Department conducted an internet Investor Presentation that was timed to coincide with the Commonwealth's largest new money issuance of the year. This presentation served to notify investors about changes in the supply of primary market Commonwealth bond offerings. This change in expectations led to a marked improvement in the pricing performance of Commonwealth bonds.

WATER POLLUTION ABATEMENT TRUST

The Massachusetts Water Pollution Abatement Trust funds the Commonwealth's efforts to reduce water pollution and provide clean drinking water to all residents. Trust programs serve over 97 percent of Massachusetts residents. Since the Trust was created in 1989, it has provided \$3.4 billion in loans for water and wastewater infrastructure to 264 local governmental units. The Trust is the 3rd largest program of its kind in the United States.

MWPAT BOARD MEMBERS

Timothy P. Cahill
*Chairperson, Treasurer
and Receiver General*

Carlo DeSantis
*Designee of the Secretary of
Administration and Finance*

Thomas H. Trimarco
*Secretary of Administration
and Finance*

Steven McCurdy
*Designee of the Department of
Environmental Protection*

Arleen O'Donnell
*Commissioner of
Environmental Protection*



Scott Jordan
*Executive Director,
Massachusetts Water
Pollution Abatement Trust*

FINANCIALS

- The MWPAT increased its total assets by \$4.5 billion – a 6.2 percent increase from the previous year – and grew its Outstanding Loan Portfolio to \$2.6 billion.
- In 2006, the Trust funded 100 loans to governmental and local entities through the issuance of \$431.1 million in Series 12 Program Pool bonds.

INTEREST COST REDUCTION

- The Trust conducted a \$416.2 million bond refunding, which reduced future debt service by \$41.4 million. The MWPAT also executed a \$19.1 million bond redemption, eliminating \$3.2 million in future interest costs.

NATIONAL LEADERSHIP

- The MWPAT was also ranked in the top five state programs nationally for its performance by the Environmental Protection Agency, reinforcing the Trust's position as a national leader in the area of providing clean water.
 - Loans made as Percentage of Capitalization: 2nd
 - Gross Dollars Loaned: 5th
 - Total Number of Projects Funded: 5th
 - Total Amount of Dollars Disbursed: 4th
 - Total Funding for Storm Sewers: 1st
- Additionally, the Trust received the Certificate of Achievement in Financial Reporting from the Government Finance Officers' Association for the 11th year in a row.

ABANDONED PROPERTY DIVISION

The Abandoned Property Division seeks to protect assets belonging to the citizens of the Commonwealth. Under Massachusetts abandoned property law, financial assets that have been inactive for three years for most property types are reported to the Division. After receiving the funds, the Treasury lists the names of property owners in newspapers across the state. The biannual publication is supported by a radio and Internet advertising campaign aimed at reuniting citizens with their property.



Tom McAnespie
*Assistant Treasurer and Director,
Abandoned Property Division*

UNPAID CHECK FUND

- Treasurer Cahill transferred oversight of the Unpaid Check Fund to the Division in 2006. Uniform administration of the funds has resulted in more efficient claim and reporting process in the payment of unclaimed Commonwealth checks.

PROPERTY COLLECTED AND RETURNED

- Over the past four fiscal years, the Treasury has received abandoned property in excess of \$870 million. This past year the Division collected approximately \$200 million and paid out a record \$52.3 million in cash claims.

EBAY AUCTION

- The Division conducted its second auction of abandoned safe deposit box items in collaboration with eBay. The internet auction generated gross revenues of \$200,000 and maintained a nearly flawless customer satisfaction rating in auctioning 1,000 items.

OUTREACH PROGRAM

- The Abandoned Property Outreach Program travels to fairs, assisted living facilities, malls and city and town halls. Since 2003, Outreach events have helped return over \$1.5 million to 3,300 owners across the state. The Division has answered the questions and abandoned property inquiries of over 15,000 citizens at these events.

FINANCIAL EDUCATION DIVISION

The Financial Education Division is a statewide resource for all Massachusetts residents that empowers individuals to learn about a broad spectrum of financial matters. The Division operates as a reliable provider and clearing-house of financial literacy for citizens of all ages. Through its wide variety of seminars, conferences and programs, the Division assists citizens in reaching their financial goals.



Leanne Martin
*Director, Financial
Education Division*

MONEY CONFERENCES

- The Money Conferences are free educational events that focus on money management and investment strategies.
- In 2006, over 1,700 citizens attended Treasurer Cahill's two Money Conferences. In September, Treasurer Cahill held the largest conference to date with over 1200 women in attendance. Each conference offered breakout sessions on topics such as investing, tips for home-buyers, estate planning, and how health can affect finances.

CAUTION WITH CREDIT PROGRAM

- Caution with Credit is a new program developed to provide the Commonwealth's students with the tools, information, and resources necessary to learn how to be financially responsible with their credit.

SAVING MAKES "CENTS"

- Saving Makes "Cents" is a school banking program developed by the Treasury to teach money management to elementary school children. This collaboration between local banks and schools helps deliver life planning skills to students through hands-on-training.

NAST RECOGNITION

- The Division was recognized by the National Association of State Treasurers and the Bond Market Foundation for excellence in promoting financial education and the successful organization of Money Conferences.

DEFERRED COMPENSATION PLAN

The Commonwealth of Massachusetts Employees Deferred Compensation Plan is a retirement savings program that allows eligible state employees to save money for retirement on a pre-tax basis through salary deferrals with their employer. The Plan has approximately 90,000 full-time participants, 175,000 part-time members and over 600 non-state entities.



John F. LaCara
*Director, Deferred
Compensation Plan*

ACCOMPLISHMENTS

- The Plan Document was changed to allow retiring employees to defer eligible amounts of accumulated sick pay, vacation pay and back pay into their SMART Plan account. In addition, employees who separate from service may elect to defer eligible amounts of accumulated vacation pay and/or back pay.
- Mellon Trust of New England was selected to serve as the Plan's new custodian. Mellon will assist the Plan in performing net asset valuations, portfolio accounting and performance measurement.

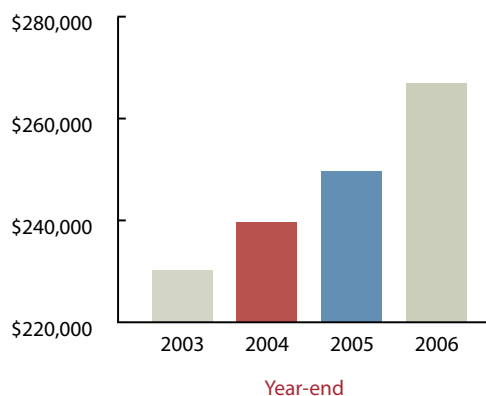
TARGET DATE RETIREMENT FUNDS

- AllianceBernstein L.P. was selected to act as investment manager and to develop target date retirement funds using the Plan's underlying investment options. The new funds were made available to Plan participants in the third quarter of 2006.

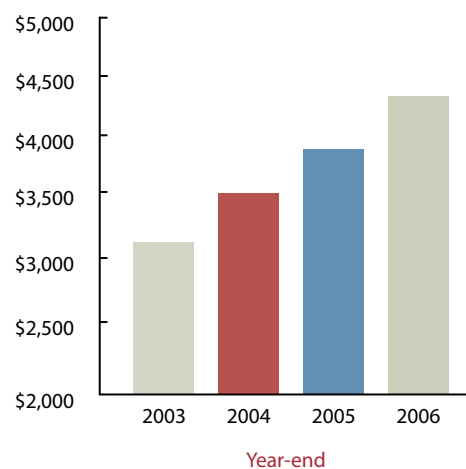
COMMUNICATION

- The Plan is in the process of enhancing and developing its communication resources. In addition, the Plan is redesigning its web site by adding on-line presentations, retirement planning tools and the option for participants to register for a service that will deliver Plan-specific reports via e-mail.

ANNUAL CONTRIBUTIONS (in thousands of dollars)



PLAN ASSET LEVELS (in millions of dollars)



CASH MANAGEMENT DIVISION

The Cash Management Division is responsible for managing the Commonwealth's daily cash flows, which total over \$43 billion annually. Responsibilities include quarterly local aid payments to municipalities, management of the \$6 billion short-term investment pool for the Commonwealth's working capital and the regular reconciliation of state agency bank accounts.



James A. MacDonald
*Assistant Treasurer,
Cash Management*

BIDMASS

- Managed the quarterly BidMass online auctions, which allow banks to competitively bid for state deposits and expand the Treasury's investment options. The Treasury is now able to hold a monthly CD auction and increase the total pool of money available over a six-month period to \$300 million. In 2006, the Treasury placed deposits totaling \$350 million in banks at competitive rates, and the deposits were reinvested in the community to help stimulate job growth.
- As of the last BidMass auction in 2006, the Treasury has accepted \$796.4 million in bids for CDs. The Commonwealth has earned \$16.3 million in interest. This amount represents an additional \$576,415 earned due to the competitive nature of each bid.

MASSACHUSETTS GENERAL LAWS

- Chapter 29 Section 38 was updated to allow the Treasury the flexibility to invest in securities as allowed by the Code of Federal Regulation 2A-7, which governs money market eligible investments.

MMDT

- The Cash Portfolio of the Massachusetts Municipal Depository Trust had a balance of \$6 billion at the end of June 2006. The fund expanded the list of eligible security classes that will allow for higher returns and greater diversification of investments while reducing risk at the same time.
- The MMDT Short-Term Bond Fund (STBF) was launched in April of 2006 and currently has assets in excess of \$368 million. The primary purpose of STBF is to offer participation in a diversified portfolio of high-quality investment-grade fixed-income assets.

ALCOHOLIC BEVERAGES CONTROL COMMISSION

The Alcoholic Beverages Control Commission (ABCC) is the sole agency with supervision of over 22,000 alcoholic beverage licenses in Massachusetts. The ABCC protects the Commonwealth through its enforcement and training programs aimed at preventing alcohol-related offenses throughout the state. Since coming under the control of the Treasurer's office, the ABCC Enforcement Division has received national recognition as one of the leading enforcement agencies in the country.

ALCOHOL BEVERAGES CONTROL COMMISSIONERS

Eddie J. Jenkins
Commission Chairman

Susanne Iannella
Associate Commissioner

Robert H. Cronin
Associate Commissioner



Eddie Jenkins, Esq.
*Chairman, Alcoholic Beverages
Control Commission*

LICENSING COLLECTION FEES

- \$3.6 million from license fees and fines was generated for the Commonwealth's General Fund.
- Enforced the collection of back taxes owed by delinquent licensees in collaboration with the Department of Revenue and the Department of Unemployment Assistance.
- In 2006, revenue collected for DOR totaled \$3.1 million—up 9 percent from 2005—while revenue collected for DUA totaled \$100,000.

EDUCATION

- The Enforcement Division works with the newly formed National Center for Alcohol Law Enforcement. Through this partnership, the Division has trained approximately 30 local, state and federal law enforcement agencies across the Commonwealth.

ENFORCEMENT

- In 2006, investigations were conducted in approximately 250 cities and towns.
- Investigators conducted "Operations Safe Prom and Graduation, Safe Campus, and Safe Holidays" in cities and towns throughout the Commonwealth.
- These programs result in the immediate prevention of underage individuals from obtaining alcohol as well as a long-term deterrence to bar and liquor store owners serving underage individuals.

JOB GROWTH INITIATIVE

The Treasury's Job Growth Initiative was officially implemented in 2006 with a focus on stimulating job creation and providing affordable housing in communities throughout the state. The Initiative was the direct result of the comprehensive plan recommended by Treasurer Cahill's Job Growth Task Force, which was comprised of prominent community leaders from the state's public and private sectors.

By the end of December 2006, over \$1.2 billion had been committed to this program – including \$585 million in Treasury-leveraged funds. This has resulted in the creation of over 2,300 new jobs in Massachusetts, with an additional 8,000 to 10,000 new jobs expected once all program loans have been fully executed.



Craig Stepno
Director of Policy and Outreach

WELCOME HOME BONUS

The "Welcome Home" Veterans Bonus, a tax-free cash payment available to eligible United States service members, was launched in 2006 with the support and collaboration of Representative Anthony Verga and Senator Stephen Brewer. The "Welcome Home Bill" was signed into law by former Governor Mitt Romney on Veterans Day in 2005 and contains a number of provisions that benefit Massachusetts veterans, service members and their families.

"This is an expression of our gratitude to the people who serve our country," said Treasurer Cahill. "I am pleased to offer this bonus to servicemen and women of Massachusetts for their dedication and commitment."

ACCOMPLISHMENTS

- In 2006, Treasurer Cahill partnered with Sovereign Bank, Citizens Bank, TD Banknorth, Bank of America and Massachusetts community banks to secure over a billion dollars dedicated to job growth and affordable housing initiatives in the Commonwealth.
- A \$600 million commitment was provided to the Job Growth Initiative by Bank of America, including \$375 million for small-business loans to help create jobs and \$225 million in community lending to promote real estate development and home ownership. Treasurer Cahill also successfully lobbied Bank of America to launch their "America - Block by Block®" revitalization program in Massachusetts, which will commit millions of dollars to financial literacy programs, affordable housing, small business loans and mortgages.
- As part of the Initiative's mission to foster collaboration between the Commonwealth and its banking partners, the Treasury established the Community Banking program, in which partnerships are formed with local banks to provide below-market loans to businesses. To date, the Treasury has partnered with United Commercial Bank, Rockland Trust and Slade's Ferry Bank and Trust.

ABOUT THE PROGRAM

- The "Welcome Home" Bonus program is administered by Treasurer Cahill's office and provides a one time \$500 or \$1000 tax-free payment to service members activated since September 11, 2001. Those who have served in Afghanistan or Iraq will receive \$1000, and those who have served domestically or in other foreign countries for a period of six months or more will receive \$500.

ACCOMPLISHMENTS

- In 2006, the Treasury administered the "Welcome Home" Bonus to 11,310 veterans. These bonuses totaled \$9 million, which veterans have used for tuition, mortgage payments, bills and family expenses.

INTERNAL DEPARTMENTS



Grace H. Lee, Esq.
Deputy Treasurer and General Counsel



Eileen Glovsky
Deputy Treasurer and Director, Human Resources



Peter L. Navarro
Assistant Treasurer, Information Technology



Anita Patel
Assistant Treasurer, Administration and Finance



Denise Hebert, CPA
Internal Auditor

LEGAL DEPARTMENT

The Legal Department acts as in-house counsel to the Treasurer and all the departments of the Treasury. This encompasses providing legal advice, managing legal affairs, negotiating contracts, conducting human resource trainings, and ensuring that proper instruction are provided to outside counsel. The Department is responsible for counseling the various departments throughout the Treasury on all legal matters and ensures that all departments are complying with the law.

HUMAN RESOURCES

The Human Resources Department updated the Personnel Policy Manual in collaboration with the Legal Department to reflect changes in laws, policies and procedures. The Treasury is committed to training and developing public employees, which resulted in 18 staff promotions in 2006.

COMPUTER SERVICES

Computer Services supplies Information Technology support and infrastructure to the Treasury and facilitates the Treasury's multifaceted business dealings, which allows all Treasury Departments to function at the highest possible level.

ADMINISTRATION AND FINANCE

Administration and Finance oversees the fiscal and administrative activities of the Treasury. It ensures the Treasury's financial stability by managing budget procedures, operating trusts and capital budgets. The Department provides other departments with centralized expertise and technical support.

INTERNAL AUDIT

The Treasury's Internal Auditor independently evaluates the adequacy of the Treasury's internal controls. The Internal Auditor reports her recommendations to the Treasurer and members of the senior staff.

SENIOR EXECUTIVE STAFF MEMBERS



Neil M. M. Morrison, Esq.

First Deputy Treasurer

Serves as primary advisor to Treasurer Cahill on all policy, political and operational matters. Directly supervises and oversees all Treasury departments.



Scott Campbell

Deputy Treasurer and Director of Operations

Oversees the Executive Office, Deferred Compensation and the Massachusetts School Building Authority.



Cynthia Lydon

Deputy Chief of Staff

Aids in the oversight of the Executive Office and acts as a liaison between the Executive Office and all Treasury departments.



Alison Mitchell, Esq.

Director of Communications

Responsible for communications and media relations strategy for Treasurer Cahill and individual Treasury departments.



Jared Savas

Policy Director

Drafts speeches and briefings for Treasurer Cahill, conducts legislative research and monitors policy and legislative initiatives.



Amy Lyons

Scheduling Director

Coordinates and maintains Treasurer Cahill's daily schedule. Serves as a liaison between Treasurer Cahill and Treasury employees.



Christopher J. Bell

Director of Governmental Affairs

Acts as a liaison to federal, state and municipal government officials. Responsible for Treasury policy and legislative initiatives.



COLLABORATION
INNOVATION
communication
EDUCATION

**Office of the State Treasurer**

State House, Room 227
Boston, MA 02133
(617) 367-6900

Abandoned Property

One Ashburton Place, 12th Floor
Boston, MA 02108
(800) 647-2300
(617) 367-0400

**Alcoholic Beverages
Control Commission**

239 Causeway Street
Boston, MA 02114
(617) 727-3040

Cash Management

One Ashburton Place, 12th Floor
Boston, MA 02108
(617) 367-3900 ext. 591

Debt Management

One Ashburton Place, 12th Floor
Boston, MA 02108
(617) 367-3900 ext. 203

Financial Education Division

State House, Room 227
Boston, MA 02133
(617) 367-6900

Lottery

60 Columbian Street
Braintree, MA 02184
(781) 849-5555

**Massachusetts School
Building Authority**

3 Center Plaza, Suite 430
Boston, MA 02108
(617) 720-4466

**Massachusetts Water Pollution
Abatement Trust**

One Ashburton Place, 12th Floor
Boston, MA 02108
(617) 367-3900 ext. 409

Media Requests

(617) 367-6900

PRIM Board

84 State Street, #250
Boston, MA 02109
(617) 946-8401

State Retirement Board

One Ashburton Place, 12th Floor
Boston, MA 02108
(617) 367-7770
(800) 392-6014
(In Massachusetts Only)